



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
NICHOLAS COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE NICHOLAS COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Nicholas County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$32,006 from the prior fiscal year, resulting in a fund balance of \$724,722 as of June 30, 2000. Revenues decreased by \$153,538 from the prior year and disbursements decreased by \$95,443.

Debt Obligations:

Capital lease principal agreements totaled \$256,638 as of June 30, 2000. Future principal payments of \$256,638 are needed to meet these obligations.

Report Comments:

- Nicholas County Fiscal Court Should Submit Timely Landfill Discharge Monitoring Reports

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
NICHOLAS COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS.....	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	10
NOTES TO FINANCIAL STATEMENTS	12
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE.....	19
SCHEDULE OF OPERATING REVENUE.....	23
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	27
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	31
COMMENTS AND RECOMMENDATIONS	35
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	
APPENDIX B:	
CPA REPORT OF THE NICHOLAS COUNTY SENIOR CITIZENS CENTER – TITLE III B, C, AND HOMECARE PROGRAM	



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Larry Tincher, Nicholas County Judge/Executive

Members of the Nicholas County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Nicholas County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Nicholas County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Nicholas County Senior Citizens Center - Title III B, C, and Homecare Program. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Nicholas County Senior Citizens Center - Title III B, C, and Homecare Program, is based solely upon the reports of the other auditors and their reports are included as Appendix B.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Nicholas County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Larry Tincher, Nicholas County Judge/Executive

Members of the Nicholas County Fiscal Court

In our opinion, based upon our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000, of Nicholas County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated June 4, 2001, on our consideration of Nicholas County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- Nicholas County Fiscal Court Should Submit Timely Landfill Discharge Monitoring Reports

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
June 4, 2001

NICHOLAS COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Larry Tincher	County Judge/Executive
Billy Dixon	Magistrate
Daryl Stacy	Magistrate
Avery Thornsburg	Magistrate
Jeff Randolph	Magistrate
Steve Hamilton	Magistrate

Other Elected Officials:

Donald Bromagen	County Attorney
Billy Mac Gaunce	Jailer
Douglas Fryman	County Clerk
Sally Watkins	Circuit Court Clerk
Charles Ring	Sheriff
Michelle McDonald	Property Valuation Administrator
Roy Gaunce	Coroner

Appointed Personnel:

Wanda Dotson	County Treasurer
Dana Price	Occupational Tax Collector

THIS PAGE LEFT BLANK INTENTIONALLY

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

NICHOLAS COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:			
Cash	\$	434,603	
Road and Bridge Fund:			
Cash		193,163	
Jail Fund:			
Cash		2,835	
Local Government Economic Assistance Fund:			
Cash		32,524	
Landfill Fund:			
Cash		3,482	
Payroll Withholding Revolving Account - Cash		<u>18,260</u>	\$ 684,867

Debt Service Fund Type

Voted Hospital Bond Fund:			
Money in Hands of -			
County	\$	25,056	
Paying Agent		<u>14,987</u>	40,043

Trust and Agency Fund Type

Mathers Educational Fund			
Cash			18,072

Other Resources

General Fund Type

General Fund:			
Amounts to be Provided in Future Years for Capital			
Lease Obligations - Principal		<u>256,638</u>	
Total Assets and Other Resources	\$		<u><u>999,620</u></u>

The accompanying notes are an integral part of the financial statements.

NICHOLAS COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Types

General Fund:

Capital Lease Obligation - Principal (Note 4)	\$ 256,638	
Payroll Revolving Account - Cash	<u>18,260</u>	\$ 274,898

Debt Service Fund Types

Voted Hospital Bond Fund:

Bonds Matured and Unpresented	\$ 10,000	
Interest Matured and Unpresented	4,785	
Premium on Called Bonds	<u>200</u>	14,985

Fund Balances

Reserved:

General Fund Type

Landfill Fund	3,482
---------------	-------

Debt Service Fund Type

Voted Hospital Bond Fund	25,058
--------------------------	--------

Trust and Agency Fund Type

Mathers Educational Fund	18,072
--------------------------	--------

The accompanying notes are an integral part of the financial statements.

NICHOLAS COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
June 30, 2000
(Continued)

Liabilities and Fund Balances (Continued)

Unreserved:

General Fund Type

General Fund	\$	434,603	
Road and Bridge Fund		193,163	
Jail Fund		2,835	
Local Government Economic Assistance Fund		<u>32,524</u>	\$ <u>663,125</u>
Total Liabilities and Fund Balances			<u>\$ 999,620</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

NICHOLAS COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	<u>General Fund Types</u>			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,975,548	\$ 1,108,122	\$ 696,358	\$ 38,505
Transfers In	276,109	91,109		130,000
Total Cash Receipts	<u>\$ 2,251,657</u>	<u>\$ 1,199,231</u>	<u>\$ 696,358</u>	<u>\$ 168,505</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,976,579	\$ 1,004,636	\$ 630,524	\$ 169,688
Transfers Out	276,109	185,000	81,109	
Capital Lease:				
Courthouse Renovation - Principal	15,675	15,675		
Voted Hospital Bonds:				
Principal	15,300			
Total Cash Disbursements	<u>\$ 2,283,663</u>	<u>\$ 1,205,311</u>	<u>\$ 711,633</u>	<u>\$ 169,688</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (32,006)	\$ (6,080)	\$ (15,275)	\$ (1,183)
Cash Balance - July 1, 1999	756,688	440,683	208,438	4,018
Voided Prior Year Outstanding Checks	40			
Cash Balance - June 30, 2000	<u><u>\$ 724,722</u></u>	<u><u>\$ 434,603</u></u>	<u><u>\$ 193,163</u></u>	<u><u>\$ 2,835</u></u>

The accompanying notes are an integral part of the financial statements.

NICHOLAS COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

General Fund Types		Debt Service Fund Types	Trust and Agency Fund Type
Local Government Economic Assistance Fund	Landfill Fund	Voted Hospital Bond Fund	Mathers Educational Fund
\$ 26,002	\$ 38,766 55,000	\$ 7,119	\$ 60,676
\$ 26,002	\$ 93,766	\$ 7,119	\$ 60,676
\$ 18,952	\$ 97,138	\$ 540 10,000	\$ 55,101
		15,300	
\$ 18,952	\$ 97,138	\$ 25,840	\$ 55,101
\$ 7,050 25,474	\$ (3,372) 6,854	\$ (18,721) 58,724 40	\$ 5,575 12,497
\$ 32,524	\$ 3,482	\$ 40,043	\$ 18,072

The accompanying notes are an integral part of the financial statements.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Nicholas County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Nicholas County Senior Citizens Center - Title III B, C, and Homecare Program as part of the reporting entity and has included the audit report thereon as Appendix B of this report.

Additional - Nicholas County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Nicholas County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Nicholas County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Nicholas County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), and Landfill Fund.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Voted Hospital Bond Fund.

3) Trust and Agency Fund Type

Trust and Agency Fund Type accounts for assets held by a governmental unit in a trustee capacity or as agent. Under non-expendable trust agreements only the interest earned on principal may be used for specified purposes. Trust and agency Fund Types of the Fiscal Court include the Mathers Educational Fund.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Nicholas County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Capital Lease

The Nicholas County Fiscal Court entered into a lease agreement for \$291,000, with Kentucky Association of Counties Leasing Trust Program, for courthouse renovation on September 24, 1997. Payments are due monthly and are calculated annually based on the outstanding principal, variable interest rate, and associated fees. The lease is to be paid in full on October 1, 2012. The outstanding principal as of June 30, 2000 is \$256,638. The following indicates scheduled debt service requirements (principal and interest only) for future periods through the end of the lease:

Fiscal Year	Scheduled Interest	Scheduled Principal
2000-01	\$ 9,270	\$ 16,349
2001-02	8,650	17,053
2002-03	8,003	17,786
2003-04	7,329	18,552
2004-05	6,625	19,350
2005-2013	24,003	167,548
Totals	<u>\$ 63,880</u>	<u>\$ 256,638</u>

Note 5. Lease-Purchase Agreements

- a) The Nicholas County Fiscal Court entered into a lease agreement, for \$25,001, with Kentucky Association of Counties Leasing Trust Program, for the purchase of voting machines and computers, on August 18, 1995. The lease is renewable by the county on a fiscal year basis, with five renewal periods. The lease calls for a variable interest rate. The principal balance at June 30, 2000 is \$929.
- b) The Nicholas County Fiscal Court entered into a lease agreement, for \$25,915, with Kentucky Association of Counties Leasing Trust Program, for the purchase of an ambulance, on August 1, 1996. The lease is renewable by the county on a fiscal year basis, with five renewal periods. The lease calls for a variable interest rate. The principal balance at June 30, 2000 is \$6,515.
- c) The Nicholas County Fiscal Court entered into a lease agreement, for \$87,520, with Kentucky Association of Counties Leasing Trust Program, for the purchase two dump trucks, on January 21, 1998. The lease is renewable by the county on a fiscal year basis, with five renewal periods. The lease calls for a variable interest rate. The principal balance at June 30, 2000 is \$41,761.

Note 6. Flag Maintenance Account

The Nicholas County Fiscal Court established a Flag Maintenance Savings Account in 1996, consisting of contributions from the community. The contributions are to be used to maintain the electric flag on the Nicholas County Courthouse. The balance in this account at June 30, 2000, is \$683.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 7. Solid Waste Landfill Closure and Postclosure Costs

Nicholas County Fiscal Court (the County) operated a landfill that began receiving solid waste in September 1970 and continued until December 1991. The County initiated closure operations in April 1992. Closure costs at that time were estimated to be \$72,469 and the County completed the steps necessary to close the landfill in September 1993. The County appears to have met all federal, state, and local laws and regulations with regard to the closure of the landfill. Postclosure care consists primarily of groundwater monitoring and landscape maintenance. The County is required to file reports with the appropriate regulatory agencies regarding the findings of the groundwater monitoring activities. Postclosure costs are estimated to be \$15,000 per year and are paid from the County's annual appropriations. During fiscal year ending June 30, 2000, the County spent \$12,215 in postclosure costs. Inflation, deflation, technology, or applicable laws and regulations could affect the estimated postclosure costs.

Note 8. Contingent Liability

In September 2000, the Natural Resources and Environmental Protection Cabinet (NREPC) notified the Nicholas County Fiscal Court (the County) of the failure to comply with certain provisions of KRS Chapter 224 and 401 KAR 5:065, specifically, the "submittal of Discharge Monitoring Reports (DMR's) in a timely manner." According to correspondence received by the County Judge/Executive, the "Violations of the above cited statutes and regulations are subject to penalties of up to \$25,000, per day." On April 18, 2001, auditors contacted the Enforcement Branch of the NREPC to determine if the penalties mentioned above have or are currently being assessed. A representative of the NREPC Enforcement Branch indicated that the assessment of penalties in the amount of \$25,000 per day were very unlikely; however, the assessment of a one-time penalty ranging from \$5000 to \$25,000 was a distinct possibility.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

NICHOLAS COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 938,655	\$ 1,108,122	\$ 169,467
Road and Bridge Fund	565,413	696,358	130,945
Jail Fund	178,407	38,505	(139,902)
Local Government Economic Assistance Fund	25,600	26,002	402
Landfill Fund	98,299	38,766	(59,533)
<u>Debt Service Fund Type</u>			
Voted Hospital Bond Fund	1,000	7,119	6,119
<u>Trust and Agency Fund Type</u>			
Mathers Educational Fund	<u>55,200</u>	<u>60,676</u>	<u>5,476</u>
Totals	<u>\$ 1,862,574</u>	<u>\$ 1,975,548</u>	<u>\$ 112,974</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 1,862,574
Add: Budgeted Prior Year Surplus			490,291
Less: Other Financing Uses			<u>(30,975)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 2,321,890</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF OPERATING REVENUE

NICHOLAS COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

	GOVERNMENTAL			
		FUND TYPES		FUND TYPES
	Totals (Memorandum Only)	General Fund Type	Debt Service Fund Type	Trust and Agency Fund Type
REVENUE:				
Taxes	\$ 608,471	\$ 606,408	\$ 2,063	\$
In Lieu Tax Payments				
Excess Fees	2,469	2,469		
License and Permits	3,340	3,340		
Intergovernmental Revenues	1,169,820	1,166,619	3,201	
Charges for Services	43,998	43,998		
Miscellaneous Revenues	17,578	17,578		
Interest Earned	129,872	67,341	1,855	60,676
Total Operating Revenue	\$ 1,975,548	\$ 1,907,753	\$ 7,119	\$ 60,676

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

NICHOLAS COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 301,529	\$ 264,882	\$ 36,647
Protection to Persons and Property	269,770	258,837	10,933
General Health and Sanitation	518,244	511,232	7,012
Social Services	33,692	28,145	5,547
Recreation and Culture	49,000	49,000	
Roads	653,630	533,298	120,332
Debt Service	80,091	34,484	45,607
Administration	335,606	241,060	94,546
Total Operating Budget - All General Fund Types	\$ 2,241,562	\$ 1,920,938	\$ 320,624
Other Financing Uses:			
Capital Lease Payments-			
Courthouse Renovation - Principal	15,675	15,675	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 2,257,237</u>	<u>\$ 1,936,613</u>	<u>\$ 320,624</u>

NICHOLAS COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2000
 (Continued)

DEBT SERVICE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Debt Service	\$ 5,000	\$ 540	\$ 4,460
Administration	7,997		7,997
Total Operating Budget	\$ 12,997	\$ 540	\$ 12,457
Other Financing Uses:			
Voted Hospital Bonds-			
Principal	15,300	15,300	
TOTAL BUDGET - DEBT SERVICE FUND TYPE	<u>\$ 28,297</u>	<u>\$ 15,840</u>	<u>\$ 12,457</u>
TRUST AND AGENCY FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Social Services	\$ 66,681	\$ 54,520	\$ 12,161
Administration	650	581	69
TOTAL BUDGET - TRUST AND AGENCY FUND TYPE	<u>\$ 67,331</u>	<u>\$ 55,101</u>	<u>\$ 12,230</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Larry Tincher, Nicholas County Judge/Executive
Members of the Nicholas County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Nicholas County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated June 4, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Nicholas County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards, which are described in the accompanying comments and recommendations.

- Nicholas County Fiscal Court Should Submit Timely Landfill Discharge Monitoring Reports

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nicholas County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed –
June 4, 2001

COMMENTS AND RECOMMENDATIONS

NICHOLAS COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2000

REPORTABLE CONDITIONS

None

NONCOMPLIANCES

Nicholas County Fiscal Court Should Submit Timely Landfill Discharge Monitoring Reports

During our audit, we discovered the Nicholas County Fiscal Court did not submit monthly Discharge Monitoring Reports, for the landfill, in a timely manner. The Fiscal Court did not comply with certain provisions of KRS Chapter 224 and 401 KAR 5:065 Section 1, specifically, the submittal of timely Discharge Monitoring Reports. We recommend the Nicholas County Fiscal Court comply with the cited statutes and regulations by submitting reports in a timely manner.

County Judge/Executive's Response: Nicholas County is currently in progress of moving a upper grade well at our landfill to help move forward our progress to close. We have sent monitoring report and are working with the E.P.A. in knowing how to provide the correct information on these reports.

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

NICHOLAS COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
NICHOLAS COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Nicholas County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Larry Fincher
County Judge/Executive


Wanda Dotson
County Treasurer

CPA REPORT OF THE NICHOLAS COUNTY SENIOR CITIZENS CENTER – TITLE III B, C,
AND HOMECARE PROGRAM

Appendix B

